

**CATAHOULA PARISH HOSPITAL  
SERVICE DISTRICT NO. 2  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

# TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
Required Supplemental Information	
Management's Discussion and Analysis .....	3-5
Governmental Funds	
Balance Sheet .....	6
Statement of Revenues, Expenses, and Changes in Net Assets .....	7
Statement of Cash Flows .....	8
Notes to Financial Statements.....	9-15
Independent Auditors' Report on Internal Control over Financial Reporting and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	16-17
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133 .....	18-19
Schedule of Findings and Questioned Costs.....	20-21
Management's Corrective Action Plan .....	22-23
Summary of Prior Year Findings and Questioned Costs .....	24-25
Other Supplemental Information	
Schedule of Expenditure of Federal Financial Awards.....	26

# ROZIER, HARRINGTON & MCKAY

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June 26, 2012

### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Catahoula Parish Hospital Service District No. 2

We have audited the accompanying financial statements of the business-type activities of Catahoula Parish Hospital Service District No. 2, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Catahoula Parish Hospital Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Catahoula Parish Hospital Service District No. 2, as of December 31, 2011, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


The management's discussion and analysis listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2012, on our consideration of Catahoula Parish Hospital Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Catahoula Parish Hospital Service District No. 2. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the primary government financial statements of the Catahoula Parish Hospital Service District No. 2. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respect in relation to the basic financial statements taken as a whole.

  
ROZIER, HARRINGTON, & MCKAY  
Certified Public Accountants

# **Catahoula Parish Hospital Service District No. 2**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

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This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2011.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. These financial statements report all revenues and expenses regardless of when cash is received or paid. Furthermore, the basic financial statements include all of the District's assets and all of the District's liabilities (including long-term debt).

### **FINANCIAL ANALYSIS OF THE DISTRICT**

This portion of management's discussion and analysis provides a comparative financial analysis.

#### **Balance Sheet**

A condensed version of the District's Balance Sheet is presented as follows:

	<b><u>December 31,</u></b> <b><u>2011</u></b>	<b><u>December 31,</u></b> <b><u>2010</u></b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$ 1,148,157	\$ 1,159,146
Capital Assets	1,980,961	1,498,212
Total Assets	3,129,118	2,657,358
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	737,213	917,164
Long-term Liabilities	155,746	114,619
Total Liabilities	892,959	1,031,783
<b><u>Net Assets:</u></b>		
Invested in Capital Assets (Net)	1,745,449	1,233,120
Restricted	227,037	85,590
Unrestricted	263,673	306,865
Total Net Assets	\$ 2,236,159	\$ 1,625,575

As the presentation appearing above demonstrates, the significant portion of the net assets are invested in capital assets. Capital assets are used by the District to provide medical needs for their patients.

A small portion of net assets is restricted for debt service and other purposes. These assets are limited to cash that is encumbered by revenue bond and grant agreements.

The remaining balance of unrestricted assets may be used to meet the District's ongoing obligations to citizens and creditors.

# **Catahoula Parish Hospital Service District No. 2**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

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### **Changes in Net Assets**

A condensed version of the Statement of Revenues, Expenses, and Changes in Net Assets is presented as follows:

	For the Year Ended	
	December 31, 2011	December 31, 2010
<b><u>Revenues:</u></b>		
Program Revenues		
Charges for service	\$ 1,751,546	\$ 1,719,661
Operating Grants and Contributions	1,776,292	1,770,631
Capital Grants and Contributions	894,256	241,918
General Revenues	17,600	9,281
Total Revenues	4,439,694	3,741,491
Program Expenses	3,829,110	3,496,465
Change in Net Assets	610,584	245,026
Net Assets Beginning	1,625,575	1,380,549
Net Assets Ending	\$ 2,236,159	\$ 1,625,575

The District's net assets increased by \$610,584. This increase is due to the District receiving an American Reinvestment and Recovery Act grant for \$396,862 and State of Louisiana grant funds of \$497,394.

### **CAPITAL ASSET ADMINISTRATION**

Capital asset activity for the year ended December 31, 2011, is summarized as follows:

<b><u>Additions:</u></b>	
Construction in Process	\$ 539,656
Medical Equipment	1,363
Office Equipment	1,424
Total Additions	542,443
Depreciation	(55,760)
Net Increase / Decrease	486,683
Beginning Capital Asset (Net)	1,494,278
Ending Capital Asset (Net)	\$ 1,980,961

Highlights of the District's capital asset administration are provided as follows:

- The construction in process includes:
  - The progress of the installation of the new electronic medical records system, and
  - The progress of the renovations on the Concordia Community Health Center.
- The other assets are dental equipment and office equipment.

## **Catahoula Parish Hospital Service District No. 2**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011**

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#### **DEBT ADMINISTRATION**

The District incurred debt of \$350,000 during the year ended December 31, 2010. This debt was incurred to purchase the real estate necessary for the expansion of the Concordia Community Health Center (CCHC). Immediately after incurring the debt the District received a grant from the State of Louisiana for \$229,107 to pay down the debt. The remaining \$120,893 is outstanding at year end and was paid off in 2012 at the completion of the CCHC renovations. Remaining debt includes revenue bonds that were issued to acquire, construct, and improve health care facilities. At year end revenue bonds payable totaled \$114,619. Principal payments totaled \$25,646.

#### **FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS**

The factors that will effect future operations include:

- The District was awarded a grant from the State of Louisiana to expand the Concordia Community Health Center. The renovation is expected to be completed in the subsequent year.
- The District was awarded federal stimulus funds to renovate the Concordia Community Health Center and the implement electronic medical records. The renovation and the implementation of the medical records program are expected to be completed in the subsequent year.
- The District has been awarded a Federal School Based Health Clinic Grant in the amount of \$500,000. This Grant is for the project period 12/1/11 through 11/30/13. No grant related activities occurred in 2011.

## **CATAHOULA PARISH HOSPITAL DISTRICT NO 2.**

### ***Balance Sheet***

***December 31, 2011***

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 424,450
Receivables (net)	449,008
Prepaid expenses	4,488
Inventory	39,240
Assets restricted:	
Cash and cash equivalents	227,037
Total current assets	1,144,223
Non Current Assets:	
Non-Depreciable Assets	
Construction in Process	786,174
Land	152,677
Depreciable capital assets, net	1,042,110
Other Assets	3,934
<b>Total assets</b>	<b>3,129,118</b>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts and other payables	405,146
Deferred Revenues	75,000
Accrued Expenses	109,374
Liabilities payable from restricted assets	
Current portion of long term debt	147,693
Total Current Liabilities	737,213
Long-term debt due in more than one year	
Compensated Absences	67,927
Revenue Bonds	87,819
Total Long-Term Liabilities	155,746
<b>Total liabilities</b>	<b>892,959</b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets (Net)	1,745,449
Restricted:	
Debt Service	83,467
Other Purposes	143,570
Unrestricted	263,673
<b>Total net assets (deficit)</b>	<b>2,236,159</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,129,118</b>

See accompanying notes and accountants' report



## **CATAHOULA PARISH HOSPITAL DISTRICT NO 2.**

### **Statement of Revenues, Expenses and Changes in Fund Net Assets**

#### **Proprietary Funds**

**Year Ended December 31, 2011**

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<b><u>Operating Revenues:</u></b>	
Net patient revenues pledged as security	\$ 1,751,546
<b>Total Operating Revenues</b>	<u>1,751,546</u>
<b><u>Operating Expenses:</u></b>	
Salaries	2,378,549
Payroll taxes and related benefits	406,544
Insurance	37,794
Medical supplies	150,445
Contract labor	445,712
Utilities and telephone	137,378
Depreciation	55,759
Repairs and maintenance	83,606
Rent and lease expense	45,732
Other expenses	81,279
<b>Total Operating Expenses</b>	<u>3,822,798</u>
<b>Operating Income (Loss)</b>	(2,071,252)
<b><u>Nonoperating Revenues (Expenses):</u></b>	
Grant proceeds	2,670,548
Interest revenue	6,697
Ad Valorem taxes	7,142
Other revenues	3,761
Interest expense	<u>(6,312)</u>
<b>Change in Net Assets</b>	610,584
<b>Net Assets - beginninig</b>	<u>1,625,575</u>
<b>Total net assets - ending</b>	<u>\$ 2,236,159</u>

See accompanying notes and accountants' report

## **CATAHOULA PARISH HOSPITAL DISTRICT NO 2.**

### **Statement of Cash Flows**

#### **Proprietary Funds**

**Year Ended December 31, 2011**

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<b><u>Cash flow from operating activities:</u></b>	
Cash received from patients	\$ 1,821,897
Cash payments to suppliers of goods and services	(1,287,636)
Cash payments to employees for services	(2,350,260)
Net cash provided (used) by operating activities	(1,815,999)
<b><u>Cash flows from non-capital financing activities:</u></b>	
Operating grants received	1,414,845
Ad Valorem taxes received	7,142
Net cash provided (used) by non-capital financing activities	1,421,987
<b><u>Cash flows from capital and related financing activities:</u></b>	
Acquisition of capital assets	(393,957)
Capital Grant Proceeds	681,834
Principal paid on revenue bonds	(25,646)
Interest paid on debt instruments	(6,312)
Net cash provided (used) by capital and related financing activities	255,919
<b><u>Cash flows from investing activities:</u></b>	
Interest and other income	10,458
Cash paid for other asset	-
Net cash provided (used) by investing activities	10,458
Net increase (decrease) in cash	(127,635)
Beginning cash balance	779,122
Ending cash balance	651,487
Restricted cash	227,037
Cash and cash equivalents	\$ 424,450
<b><u>Reconciliation of operating income (loss) to net cash</u></b>	
Operating income (loss)	\$ (2,071,252)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	55,759
(Increase) decrease in accounts receivable	70,351
(Increase) decrease in prepaid expenses	(220)
(Increase) decrease in inventory	29,578
(Decrease) increase in operating accounts payable	71,496
(Decrease) increase in accrued expenses	15,188
(Decrease) increase in compensated absences	13,101
Net cash provided (used) by operating activities	\$ (1,815,999)

#### **Supplemental Disclosure of Cash Flow Information:**

During the year ended December 31, 2011, there were no investing, capital, or financing activities that did not result in cash receipts or payments.

# **Catahoula Parish Hospital Service District No. 2**

## ***Notes to Financial Statements*** ***December 31, 2011***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization and Basis of Presentation**

The Catahoula Parish Hospital Service District No. 2 (the District) is a political subdivision of the Catahoula Parish Police Jury. The District was organized pursuant to an ordinance adopted by the Catahoula Parish Police Jury on April 5, 1976. The hospital district has a service area that includes Catahoula Parish, Concordia Parish, and parts of Franklin and Tensas Parishes. The District has three medical clinics and a dental clinic. The District is governed by a board of commissioners appointed for terms of various years by the Catahoula Parish Police Jury.

The following is a summary of the more significant accounting policies.

#### **Financial Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the reporting entity to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the District is a component unit of the Catahoula Parish Police Jury. The accompanying component unit financial statements present information only on the fund maintained by the District and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

#### **Basis of Presentation**

The District uses an enterprise fund for financial reporting purposes. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed primarily

# **Catahoula Parish Hospital Service District No. 2**

## ***Notes to Financial Statements***

***December 31, 2011***

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by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Due to these similarities, proprietary funds are allowed to follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the District only applies those FASB pronouncements that were issued on or before November 30, 1989.

### **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District's enterprise fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net assets.

In addition, the District's enterprise fund utilizes the accrual basis of accounting. Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations.

### **Use of Estimates**

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

### **Statement Of Cash Flows**

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

### **Restricted Assets**

Any amounts reported as restricted assets, represent resources that must be expended in a specific manner. Restrictions of this nature can be imposed by tax propositions and various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used

## **Catahoula Parish Hospital Service District No. 2**

### ***Notes to Financial Statements*** ***December 31, 2011***

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to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

#### **Compensated Absences**

Accumulated unpaid vacation and compensatory pay have been accrued when incurred.

#### **Capital Assets**

Capital assets, which include all property and equipment, are reported as assets in the financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the District.

Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

#### **Inventory**

The District maintains an inventory list that is stated at the lower of cost or market value. Materials and supplies purchased during the year are charged to expense. Inventory is adjusted to actual at year end.

#### **Deferred Revenues**

Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before qualifying expenditures are incurred. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenues is removed and revenue is recognized.

#### **NOTE 2-CASH AND CASH EQUIVALENTS**

At December 31, 2011, cash and cash equivalents were \$651,487, which includes restricted cash of \$227,037.

Deposits are stated at cost, which approximates market value. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2011, the District has \$692,963 in deposits (collected bank balance). These deposits are secured from risk by \$306,642 of federal deposit insurance and \$537,932 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, State law imposes a statutory requirement on the custodial bank to advertise and sell

## **Catahoula Parish Hospital Service District No. 2**

### ***Notes to Financial Statements*** ***December 31, 2011***

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the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

#### **NOTE 3 - AD VALOREM TAXES**

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Catahoula Parish Sheriff's Office and remitted to the District the month subsequent to collection.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended December 31, 2011, taxes of 1 mill totaling \$7,142 were levied and collected on property. The mill may be used for general corporate purposes.

#### **NOTE 4 - RECEIVABLES**

The receivables at December 31, 2011, are as follows:

<u>Accounts Receivable</u>	
Medicare	\$ 275,353
Medicaid	169,097
Other	117,078
Total accounts receivable	<u>561,528</u>
 <u>Due From Other Governmental Units</u>	
State of Louisiana Grants	268,287
Ad Valorem Taxes	3,030
Total due From Other Governments	<u>271,317</u>
 Total Receivables	 832,845
Allowance for contractual adjustment	(383,837)
Total Receivables	<u>\$ 449,008</u>

The allowance is due to the District experiencing contractual adjustments from most of its revenue sources. There were no bad debts recorded for the current year.

# **Catahoula Parish Hospital Service District No. 2**

## **Notes to Financial Statements** **December 31, 2011**

### **NOTE 5 – CAPITAL ASSETS**

Changes in governmental and business-type capital assets are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Non Depreciable Capital Assets				
Land	\$ 152,677	\$ ----	\$ ----	\$ 152,677
Construction in process	246,518	539,656	----	786,174
Total	<u>399,195</u>	<u>539,656</u>	<u>----</u>	<u>938,851</u>
Depreciable Capital Assets				
Buildings and Improvements	1,536,672	----	----	1,536,672
Medical Equipment	525,033	1,363	----	526,396
Office Equipment	415,585	1,424	----	417,009
Vehicles	36,778	----	----	36,778
Accumulated Depreciation	(1,418,985)	(55,760)	----	(1,474,745)
Total Depreciable Capital Assets	<u>1,095,083</u>	<u>(52,973)</u>	<u>----</u>	<u>1,042,110</u>
Total Capital Assets	<u>\$ 1,494,278</u>	<u>\$ 486,683</u>	<u>\$ ----</u>	<u>\$ 1,980,961</u>

Depreciation expense for the year ended December 31, 2011, is \$55,760.

### **NOTE 6 – LONG-TERM LIABILITIES**

Changes in the District's long-term debt for the year ended December 31, 2011, are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Borrowings:</u>				
Revenue Bonds	\$ 140,265	\$ ----	\$ 25,646	\$ 114,619
Real Estate Mortgage	120,893	----	----	120,893
Compensated Absences	54,826	13,101	----	67,927
Total Long-term Debts	<u>\$ 315,984</u>	<u>\$ 13,101</u>	<u>\$ 25,646</u>	<u>\$ 303,439</u>

### **Borrowing**

The District has entered into various borrowing arrangements. The borrowing arrangement and balances outstanding at December 31, 2011, are described as follows:

\$359,000 Hospital Revenue Bonds, dated December 13, 1995, with an effective rate of interest of 4.5%. The bonds are secured by real estate and a pledge of revenues. Final maturity is scheduled for May 22, 2015, unless the District elects to redeem the bonds prior to maturity. \$ 114,619

## **Catahoula Parish Hospital Service District No. 2**

### **Notes to Financial Statements** **December 31, 2011**

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\$350,000 promissory note dated December 6, 2010 secured by real estate. Principal is due on demand and there is no stated rate of interest.	120,893
Total borrowings	235,512
Portion due within one year	147,693
Long-term borrowing	\$ 87,819

#### **Maturity of Long-term Debt**

A schedule of maturities of long-term debt is presented as follows:

<u>Year Ended December 31<sup>st</sup></u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 147,693	\$ 5,158
2013	28,006	3,952
2014	29,267	2,692
2015	30,546	1,412
Total Governmental	\$ 235,512	\$ 13,214

#### **NOTE 7- RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 8- RETIREMENT PLAN**

The District participates in a retirement plan for its employees. This plan allows for elective deferrals for participants with an employer match.

#### **NOTE 9- CONTINGENCIES**

Existing conditions that may have future financial consequences are referred to as contingencies. Contingencies existing at December 31, 2011 are described as follows:

##### **Grant Contingencies**

Grant funds received from the grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed expenditures, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

##### **Potential fines and penalties**

The District has withheld retirement contributions from employees' compensation but the amounts withheld and related matching contributions have not been remitted to the retirement system in a



## **Catahoula Parish Hospital Service District No. 2**

### ***Notes to Financial Statements***

***December 31, 2011***

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timely manner. Failure to timely fund the District's retirement plan could result in the imposition of substantial fines and penalties.

#### **Bond Covenants**

Agreements with bondholders require the District to collect sufficient revenues to pay reasonable and necessary expenses of operation and maintenance. The covenants also require collections to provide an adequate amount for paying principal and interest on revenue bonds. The District has failed to comply with these covenants. Consequences of failing to comply cannot be determined at the present time.

#### **NOTE 10 – ACCOUNTS AND OTHER PAYABLES**

Details related to amounts reported as accounts and other payables are provided as follows:

##### **Accounts Payable**

Payable to Vendors	\$	80,434
Payable under:		
Construction Contract		23,188
Software Contract		199,266
Payroll Liabilities		102,258
Total Payables		405,146

# ROZIER, HARRINGTON & MCKAY

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**RETIRED - 2005**

June 26, 2012

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Catahoula Parish Hospital Service District No. 2

We have audited the financial statements of the business-type activity of the Catahoula Parish Hospital Service District No. 2 as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Catahoula Parish Hospital Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Catahoula Parish Hospital Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Catahoula Parish Hospital Service District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

## **Catahoula Parish Hospital Service District No. 2**

**June 26, 2012**

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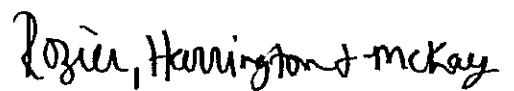
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2011-1, 2011-3, and 2011-4 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Catahoula Parish Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-5.

The Catahoula Parish Hospital Service District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Catahoula Parish Hospital Service District's response and accordingly, we express no opinion on it.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

  
ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

# ROZIER, HARRINGTON & MCKAY

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**M. DALE HARRINGTON, CPA**  
**RETIRED - 2005**

June 26, 2012

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Catahoula Parish Hospital Service District No. 2

#### **COMPLIANCE**

We have audited the compliance of the Catahoula Parish Hospital Service District No. 2 with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Catahoula Parish Hospital Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Catahoula Parish Hospital Service District's management. Our responsibility is to express an opinion on the Catahoula Parish Hospital Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Catahoula Parish Hospital Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Catahoula Parish Hospital Service District's compliance with those requirements.

In our opinion, the Catahoula Parish Hospital Service District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana, CPAs

# **Catahoula Parish Hospital Service District No. 2**

**June 26, 2012**

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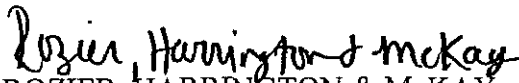
## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the Catahoula Parish Hospital Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Catahoula Parish Hospital Service District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Catahoula Parish Hospital Service District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

  
ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

# **Catahoula Parish Hospital Service District No. 2**

## **Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2011**

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### **PART I – SUMMARY OF AUDITORS' RESULTS:**

- The Independent Auditor's Report on the financial statements for the Catahoula Parish Hospital Service District No. 2 as of December 31, 2011, and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed two instances of noncompliance (2011-2 and 2011-5) that are considered to be material to the financial statements of the Catahoula Parish Hospital Service District No. 2.
- The Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 expressed an unqualified opinion on compliance requirements for the major program described below.
- The audit disclosed three audit findings (2011-1, 2011-3, and 2011-4) which are required to be reported as a material weakness in internal control over financial reporting.
- Major programs for the year ended December 31, 2011 are presented as follows:

#### **UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CFDA No. 93.224 – Community Health Centers

CFDA No. 93.703 – Grants to Health Center Programs - ARRA

- A threshold of \$300,000 was used for distinguishing between Type A and Type B programs for purposes of identifying major programs.
- The Catahoula Parish Hospital Service District No. 2 was not considered to be a low risk auditee as defined by OMB Circular A-133.

### **PART II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

- **2011-1 – Timely Bank Reconciliation**  
Bank Accounts were not reconciled on all accounts in a timely manner.
- **2011-2 – District losses**  
The District has engaged in long-term borrowing by issuing revenue bonds. Under the terms of its agreement with bondholders the District is required to collect fees that are sufficient to pay the following:
  - Reasonable and necessary expenses of operation and maintenance
  - Principal and interest maturing on bonds
  - Contributions to sinking funds, reserve accounts, and other accounts established by the bond agreement.

For the year ended December 31, 2011, the District reported a profit; however, the profit was attributable to one time grants that will not be available to meet future obligations. Accordingly, the District should revise fee schedules in a manner that will allow the district to operate profitably without depending on non-recurring grant revenue.

## **Catahoula Parish Hospital Service District No. 2**

### **Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2011**

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- **2011-3 – Recording of Grant Bank Account Activity**

It has been determined that the District did not record all the activity for the year ended December 31, 2011 for the two grant bank accounts. All grant activity should be recorded in the general ledger.

- **2011-4 – Billings to Third Parties**

It has been determined that, management is not performing the procedures necessary to collect funds due from third parties timely. The District was several months behind in collections from third parties.

- **2011-5 – Retirement Plan Contributions**

It has come to our attention that the District is not remitting retirement plan obligations timely. The District has an obligation to remit retirement contributions within a specified period of time. As part of our analysis of the retirement plan contributions it was determined that employee withholdings and corresponding match by the District were remitted well after the deferrals were withheld from the employee. Failure to timely remit employee deferrals and District match could result in substantial fines and penalties from the Employee Retirement Income Security Act.

### **PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:**

- There are no matters to report.

# **Catahoula Parish Hospital Service District No. 2**

## **Managements Corrective Action Plan**

**For the Year Ended December 31, 2011**

### **SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

#### **2011-1 – Timely Bank Reconciliation**

The District did not prepare timely Bank Reconciliations for all District Bank Accounts.

#### **Response**

We will prepare all bank reconciliations monthly for all District Accounts.

#### **2011-2 – District losses**

The District has engaged in long-term borrowing by issuing revenue bonds. Under the terms of its agreement with bondholders the District is required to collect fees that are sufficient to pay the following:

- Reasonable and necessary expenses of operation and maintenance
- Principal and interest maturing on bonds
- Contributions to sinking funds, reserve accounts, and other accounts established by the bond agreement.

#### **Response**

The District is recovering from past year losses. Since obligation of revenue bonds payment remains a line item budget obligating funds to pay bond commitment. Federal dollars are earmarked for retirement of debt.

For the year ended December 31, 2011, the District reported a profit; however, the profit was attributable to one time grants that will not be available to meet future obligations. Accordingly, the District should revise fee schedules in a manner that will allow the district to operate profitably without depending on non-recurring grant revenue.

Management continues to review all sources of payers to maximize revenue and will continue to seek best practices for collection and billing. Immediate action is to obtain access to on-line third party payer information in an effort to collect co-pays/deductibles at patient entry.

**2011-3 – Recording of Grant Bank Account Activity** The District did not record all the activity for the year ended December 31, 2011 for two bank accounts in the general ledger.

#### **Response**

The District accountant will record all banking activity for all accounts monthly in the general ledger to ensure accurate financial reporting.

#### **2011-4 – Billings to Third Parties**

It has been determined that, management is not performing the procedures necessary to collect funds due from third parties timely. The District was several months behind in collections from third parties.

#### **Response**

The District began using new billing software during the year ended December 31, 2011. We are working with the billing provider to determine if there are transmission related problems and to gain assistance with the collection process. Our staff is working diligently to ensure that all claims have been billed from our office and that all rebillings are done in the quickest turnaround time possible and that they closely monitor the collection of these outstanding receivables.



## **Catahoula Parish Hospital Service District No. 2**

### **Managements Corrective Action Plan**

**For the Year Ended December 31, 2011**

<b><u>2011-5 – Retirement Plan Contributions</u></b> It has come to our attention that the District is not remitting retirement plan obligations timely. The District has an obligation to remit retirement contributions within a specified period of time. As part of our analysis of the retirement plan contributions it was determined that employee withholdings and corresponding match by the District were remitted well after the deferrals were withheld from the employee. Failure to timely remit employee deferrals and District match could result in substantial fines and penalties from the Employee Retirement Income Security Act.	<b><u>Response</u></b> During the current year, as discussed in finding 2011-4 above, cash flow was short due the District not timely collecting all outstanding receivables. Therefore, we were unable to pay obligations as they came due. All of the Districts prior obligations have been paid and we will ensure that all future retirement obligations are paid promptly.
<b>SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
There are no matters to report	Not Applicable
<b>SECTION III – MANAGEMENT LETTER</b>	
There are no matters to report	Not Applicable

## **Catahoula Parish Hospital Service District No. 2**

### **Schedule of Prior Year Findings and Questioned Costs**

**For the Year Ended December 31, 2011**

#### **SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

##### **2010-1 – Late filing of audit**

The revised statutes require that an entity's audited financial statements be submitted no later than six months after year end. The condition of the District's financial records did not permit the audit to be completed in a timely manner.

##### **Resolved.**

Audit for the year ended December 31, 2011 will be filed by June 30, 2012.

##### **2010-2 – District losses**

The District has engaged in long-term borrowing by issuing revenue bonds. Under the terms of its agreement with bondholders the District is required to collect fees that are sufficient to pay the following:

- Reasonable and necessary expenses of operation and maintenance
- Principal and interest maturing on bonds
- Contributions to sinking funds, reserve accounts, and other accounts established by the bond agreement.

##### **Unresolved**

See 2011-2.

For the year ended December 31, 2010, the District reported a profit; however, the profit was attributable to one time grants that will not be available to meet future obligations. Accordingly, the District should revise fee schedules in a manner that will allow the district to operate profitably without depending on non-recurring grant revenue.

##### **2010-3 – Lost deposits**

It has been determined that the District misplaced three receipts from Medicare that were part of a cost report reimbursement. These checks include a check during 2010 for \$9,695 and two checks from 2008 totaling \$17,100. Management should review their internal control procedures over deposits to ensure that income is deposited daily.

##### **Resolved.**

In the current year the checks were reissued by Medicare and deposited in a timely manner.

**Catahoula Parish Hospital Service District No. 2****Schedule of Prior Year Findings and Questioned Costs****For the Year Ended December 31, 2011**

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<b>SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A.
<b>SECTION III – MANAGEMENT LETTER</b>	
No Management Letter issued in the prior year	Response – N/A.

# **CATAHOULA PARISH HOSPITAL**

## **SERVICE DISTRICT NO. 2**

### **Schedule of Expenditure of Federal Financial Awards For the year ended December 31, 2011**

<u>FEDERAL GRANTOR / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Program - Community Health Center	93.224	1,745,744
Direct Program - Increase services to Health Centers- ARRA	93.703	30,548
Direct Program - Capital Improvement Program- ARRA	93.703	396,862
Subtotal		<u>427,410</u>
Total Expenditure of Federal Awards		<u>\$ 2,173,154</u>

**Note**

The schedule of expenditures of federal awards was prepared in conformity with generally accepted accounting principles for Governmental Units. See notes to the accompanying financial statements for further details.